

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7719

Petition of Barton Village, Inc., Electric)
Department Pursuant to 30 V.S.A. § 108(c) for)
Authority to Issue Long-term Tax-Exempt Debt)
up to \$1,850,000)

Order entered: 3/25/2011

I. INTRODUCTION

On February 10, 2011, Barton Village, Inc., Electric Department ("Barton") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108(c) to issue up to \$1.85 million in tax-exempt revenue bonds (the "Bonds") through the Vermont Municipal Bond Bank ("Bond Bank") to fund upgrades to an existing 46 kV transmission line (the "Project") in Barton, Vermont, and the addition of new equipment at Barton's hydro electric generation facility at West Charleston, Vermont. The Petition was supported by the testimony of Brian Hanson, Manager of Barton Village, Inc., Electric Department, and by accompanying exhibits.

On March 22, 2011, the Department of Public Service ("DPS") filed its Determination Under 30 V.S.A. § 202(f) finding that the issuance of long-term debt as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f). In a separate filing submitted on March 22, 2011, the DPS recommended that the Board approve the Petition without hearing.

I have reviewed the Petition and the supporting testimony. I conclude that approval of Barton's Petition pursuant to 30 V.S.A. §108(c) is appropriate and that such approval may occur without hearing. Based upon the evidence of record, including the DPS letters of March 22, 2011, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. Barton is a company as defined by 30 V.S.A. § 201 and as such is subject to the Board's jurisdiction pursuant to 30 V.S.A. §§ 108 and 203. Barton is also a duly organized municipal electric utility under 30 V.S.A. Chapter 79. Barton owns and operates a municipal electric system serving a portion of Barton, Vermont, and several surrounding towns. Petition at 1.

2. Barton, in conjunction with the Village of Orleans, Inc., Electric Department, received a Certificate of Public Good ("CPG") on November 16, 2009, in Docket No. 7504, to jointly rebuild and replace 5.5 miles of an existing 46 kV transmission line in Barton, Vermont. The total cost of the Project was originally estimated to be \$3.7 million. After some adjustments to the cost estimate, Barton's share of the Project cost is now estimated to be \$1.575 million. The addition of a Supervisory Control and Data Acquisition ("SCADA") system at Barton's hydro electric generation facility is estimated to cost \$70,000 which Barton proposes to include in the total amount of financing requested. *Id*; Hanson pf. at 3.

3. Barton requests Board approval to finance a total of up to \$1.85 million to pay for its portion of the Project plus the addition of the SCADA equipment at the hydro facility. The amount of the Bonds requested by Barton is over and above its estimated \$1.645 million share of the Project cost in order to cover any unforeseen costs associated with the Project. Petition at 1-2; Hanson pf. at 4.

Discussion

Barton's financing request exceeds Barton's cost estimate for its portion of the Project by \$205,000. Based on Finding 3 above, this overage constitutes a cushion for Barton in the event that the final costs of the Project exceed the original estimate. Although the Petition does not specifically address the issue of excess proceeds, I recommend that Barton be limited to borrowing only that amount that it needs to meet the final cost of the Project. If that amount is unknown at the time of borrowing, Barton should only borrow such amount as is needed to pay the costs of the Project, with excess proceeds, if any, to be governed by the Bond Bank's call or redemption provisions and not remain with Barton to meet other unrelated expenditures.

4. Barton proposes to issue the Bonds as tax-exempt revenue bonds through the Bond Bank. Barton anticipates that the tax-exempt rate of interest of the Bonds will be in the range of

4.25% to 4.50% for bonds issued with a twenty-year term. However, because the issuance will not take place until July 2011, and market conditions are likely to change, Barton requests approval to issue the Bonds with an interest rate of up to 5%. *Id.*

5. Pursuant to Section 5(H) of the Power Sales Agreement ("PSA") between Vermont Public Power Supply Authority ("VPPSA") and Barton for output from the Swanton Peaking Generation Project ("Project 10"), Barton is obligated to notify the Board in any Section 108(c) proceeding of the existence of Barton's obligations that are set forth in the PSA with respect to repayment of principal, premium, and interest on any bonds or notes issued to support Project 10. Specifically, Barton agreed to fix, revise and collect rates at least sufficient to provide revenues adequate to meet its obligations under the PSA and to pay all other amounts payable from or constituting a charge and lien upon its revenues. In addition, Barton agreed that payments to VPPSA under the PSA are absolute and unconditional, and such payments shall be made whether or not Project 10 is completed or operational. The PSA and VPPSA's revenues under the PSA, in conjunction with all other Project 10 PSAs, are the security for the Project 10 bonds. These obligations should not have an impact on the proposed financing as they are currently factored into Barton's power-supply budget. Hanson pf. at 5; exh. Barton-2.

6. Upon Board approval of Barton's financing request, Barton will schedule a vote to seek voter approval of the issuance pursuant to 30 V.S.A. § 108(c)(3). Petition at 2.

III. DISCUSSION & CONCLUSION

Based upon the findings and the evidence in the record, I find that Barton's proposed issuance of long-term debt as described above will be consistent with the general good of the State. I therefore recommend that the Board approve Barton's request to issue up to \$1.85 million of bonds through the Bond Bank to fund project costs associated with the rebuilding and replacement of the 45 kV transmission line in Barton, Vermont, plus the addition of SCADA equipment at Barton's hydro electric generation facility in West Charleston, Vermont.

The parties have waived the opportunity for review of the Proposal for Decision, briefing, and oral argument, in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont this 25th day of March, 2011.

s/ Jay E. Dudley
Jay E. Dudley
Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are accepted and adopted.

2. The Board consents to the issuance by Barton Village, Inc., Electric Department ("Barton") of long-term debt in an amount up to \$1.85 million consisting of tax-exempt revenue bonds through the Vermont Municipal Bond Bank, to fund costs associated with the rebuilding and replacement of a 45 kV transmission line in Barton, Vermont, plus the addition of Supervisory Control and Data Acquisition equipment at Barton's hydro electric generation facility in West Charleston, Vermont.

3. Barton shall not exceed, without prior Board approval, the following limitations on the terms and conditions of the proposed bond issuance:

Maximum interest ("coupon") rate: 5.0%

Maximum term: 20 years

4. Barton shall be limited to borrowing only that amount that it needs to meet the final cost of the Project. If that amount is unknown at the time of borrowing, Barton should only borrow such amount as is needed to pay the costs of the Project, with excess proceeds, if any, to be governed by the Bond Bank's call or redemption provisions and not remain with Barton to meet other unrelated expenditures.

5. This Order does not constitute approval of any particular capital or operating expenditure nor the underlying capital structure that Barton may implement with the proceeds from this issuance of long-term debt. Nothing in this approval shall preclude the Vermont Department of Public Service Department ("DPS") or any other party, or the Board, from reviewing or challenging those expenditures and/or the resulting capital structure in any future proceeding.

6. Barton shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing.

7. Barton shall provide the Board and the DPS with a complete set of final executed documents.

Dated at Montpelier, Vermont this 25th day of March, 2011.

<u>s/ James Volz</u>)	
)	PUBLIC SERVICE
<u>s/ David C. Coen</u>)	
)	BOARD
)	
<u>s/ John D. Burke</u>)	OF VERMONT

OFFICE OF THE CLERK

FILED: March 25, 2011

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.